

# EVALUATION OF PROPOSED VIDEO LOTTERY TERMINALS AT MICHIGAN HORSE RACE TRACKS



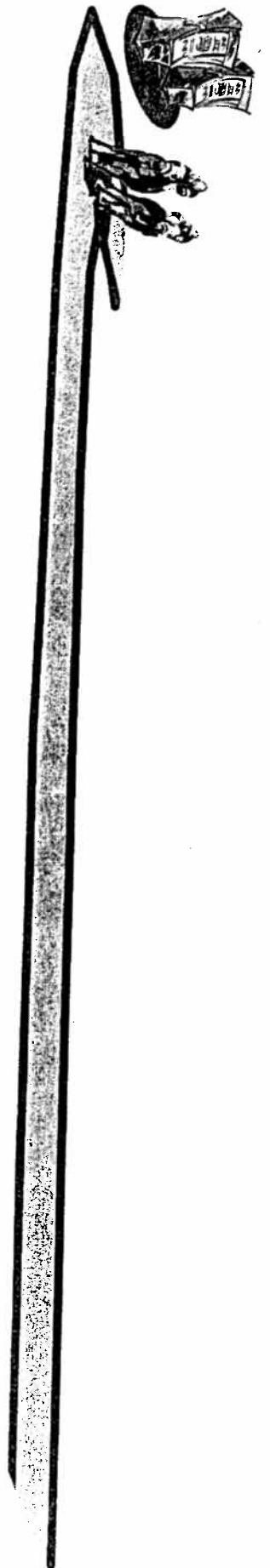
Presented by:

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Travel, Tourism, and Recreation Resource Center  
Michigan State University



April 23, 2003



- Slot machines were added to three Iowa horse and greyhound race tracks in 1995

	1994	1995	2002	% change 1994-2002*
Attendance	758,396	6,349,618	6,808,325	+798%
Live racing handle	\$43,509,239	\$32,519,947	\$18,838,261	-131%
Pari-mutuel taxes paid**	\$1,509,967	\$827,210	\$307,712	-391%
Purses	\$3,200,943	\$5,673,655	\$31,295,793	+878%
# of machines	N/A	2,819	3,574	+27%
Slot revenue ***	N/A	\$271,489,579	\$314,731,866	+16%
Slot taxes paid ***	N/A	\$49,328,414	\$89,452,480	+81%
State taxes paid (total)	\$1,509,967	\$50,155,624	\$89,760,192	+5,845%

\* Percentages are rounded

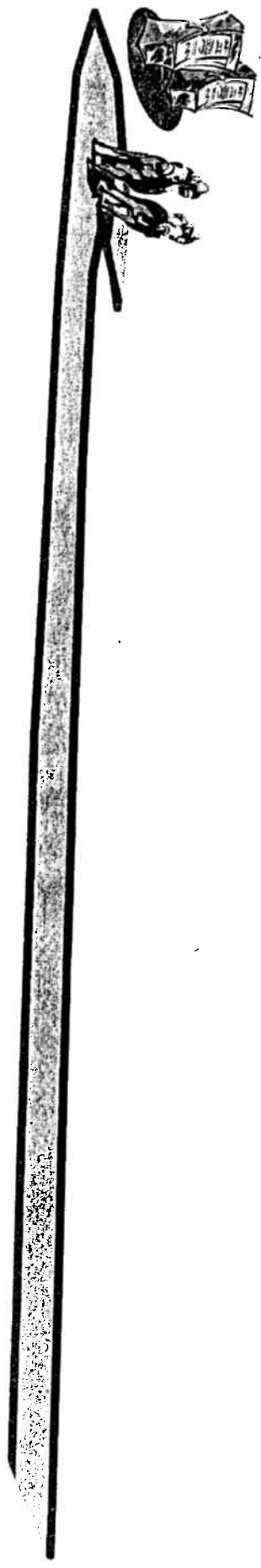
\*\* FY 01 total

\*\*\* FY 96 total

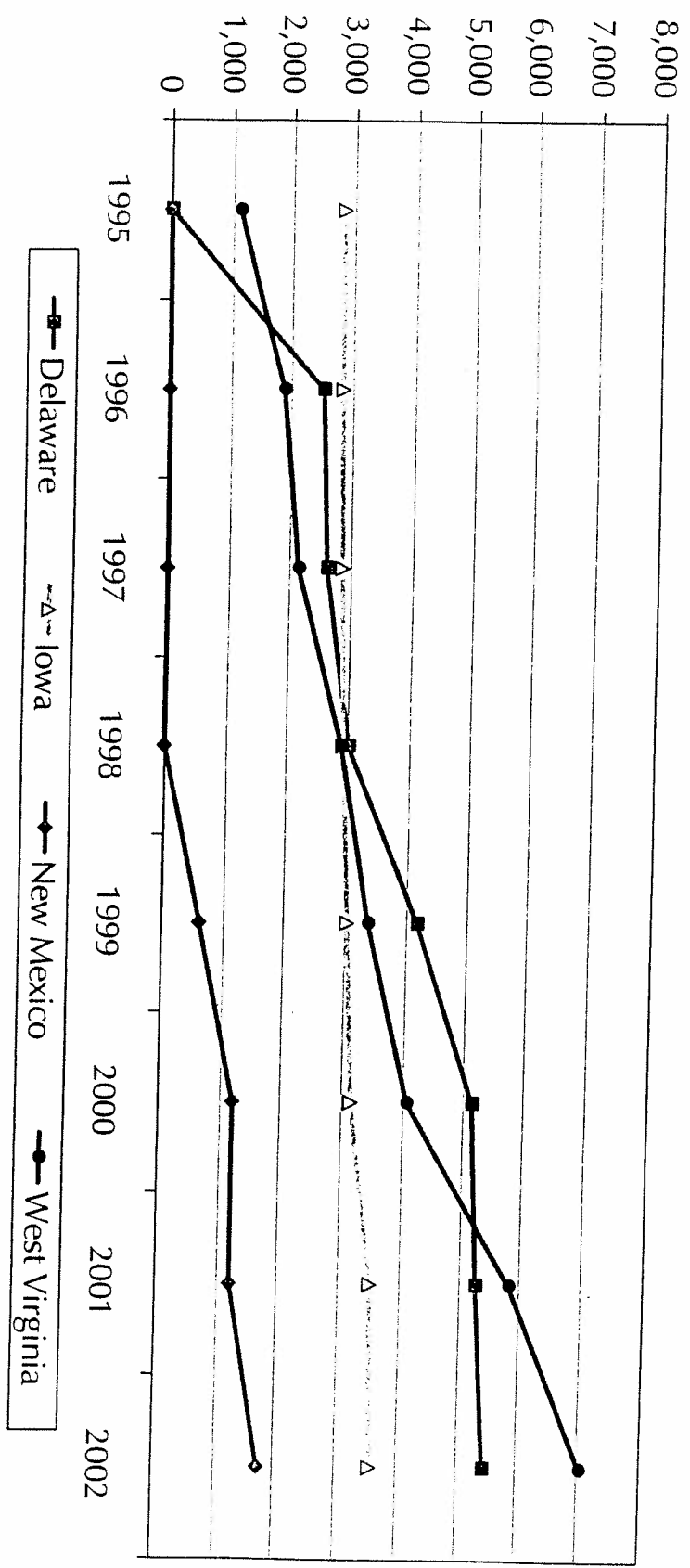


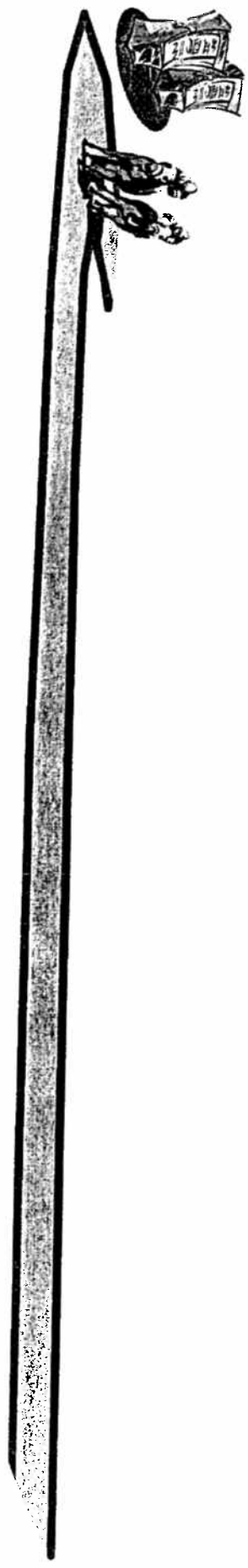
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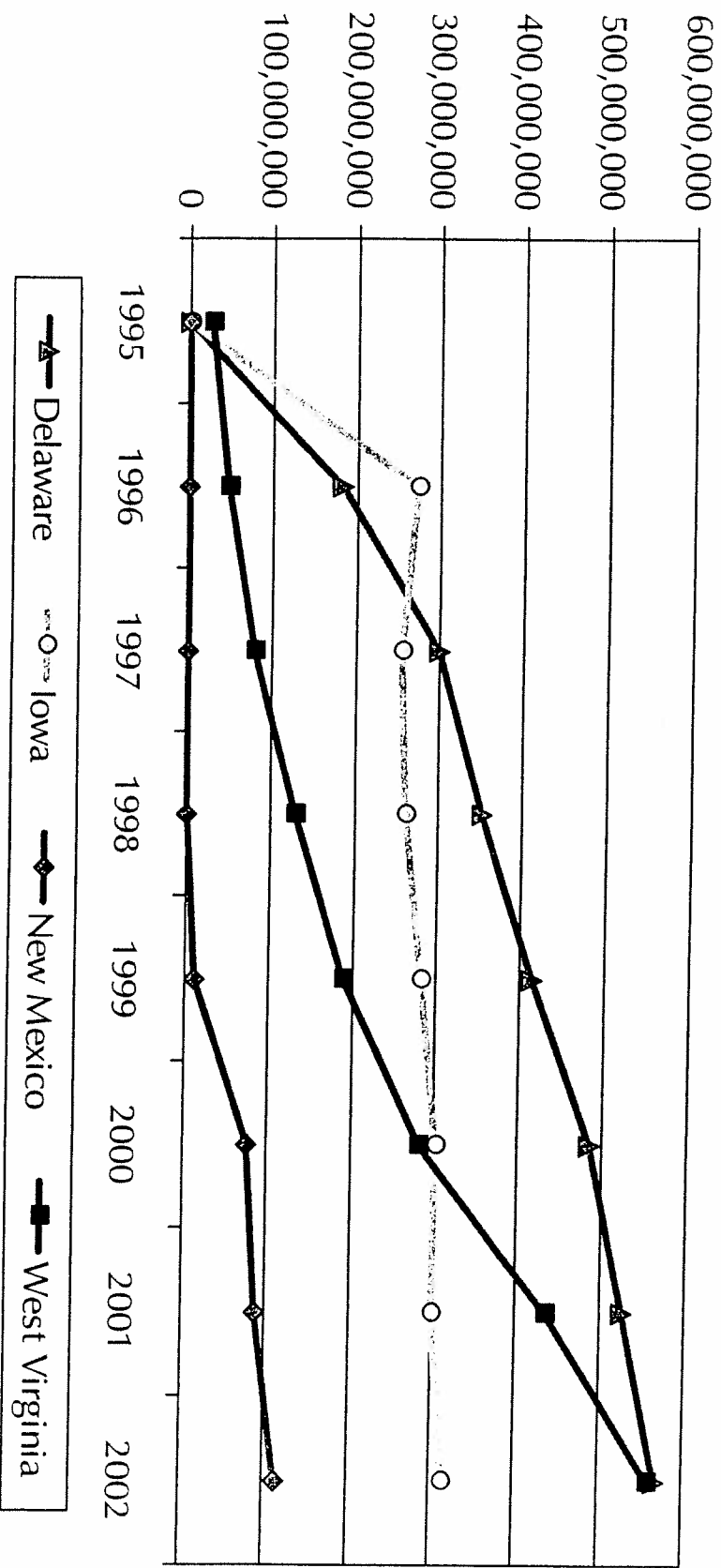


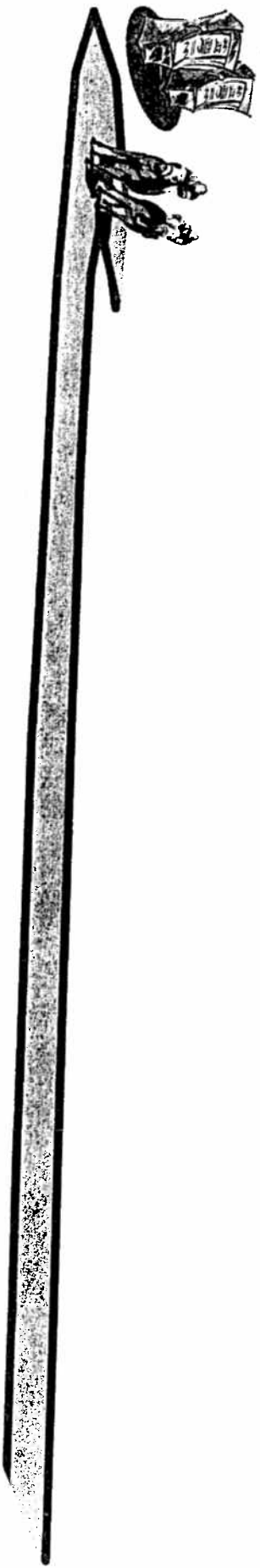
Number of slot machines/terminals





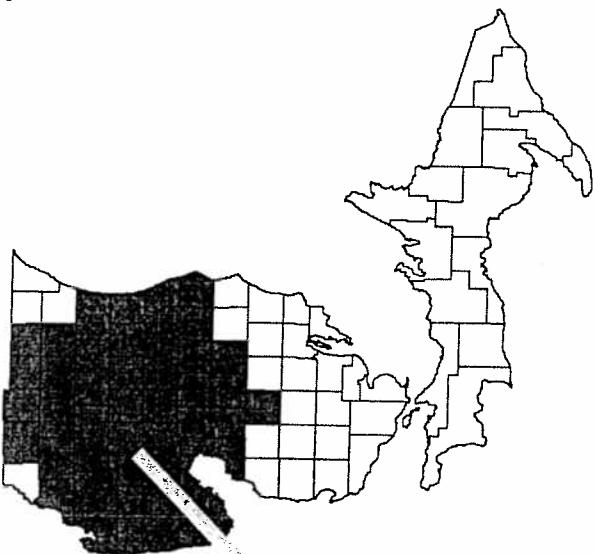
## Slot machines/Video lottery terminals net revenue





Number of slot machines (approximate):

Soaring Eagle	4,700
MGM Grand	2,800
Motor City	2,750
Greektown	2,500
<b>TOTAL</b>	<b>12,750</b>



Population (18+):  
**6,390,972**

- Downstate (SLP) locals market: **501 persons per slot**
- Six states (plus Ontario) with racinos: **260 persons per slot**





# Revenue Distribution by Selected State

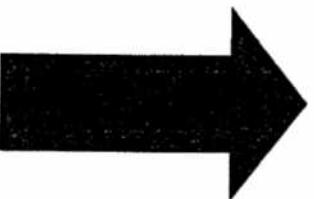
	Delaware	Iowa	Louisiana	New Mexico	Rhode Island	West Virginia
State revenue	49.0%	18.7%	18.5%	25.0%	52.0%	30.0%
Track revenue	35.0%	80.0%	63.5%	54.7%	30.5%	47.5%
Purses	11.0%	--	15.0%	20.0%	--	14.0%
Vendor fees	5.0%	--	--	--	11.0%	--
Breeders and/or owners	--	---	3.0%	--	5.5%	1.5%
Problem gambling fund	--	0.3%	--	0.3%	--	--
County revenue	--	0.5%	--	--	--	2.0%
City revenue	--	0.5%	--	--	1.0%	--
Tourism promotion	--	--	--	--	--	3.0%
Track employee pensions	--	--	--	--	--	0.5%
State Racing Commission	--	--	--	--	--	1.0%
Miscellaneous	--	--	--	--	--	0.5%





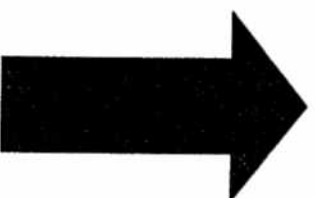
# Impact of Agriculture Enhancement Package

Create jobs



- In agriculture industry
- In local community
- At racetrack

Generate revenue



- Local vendor contracts
- Local merchants
- Increased tourism
- State and local tax revenue

Assist equine and  
agriculture industry



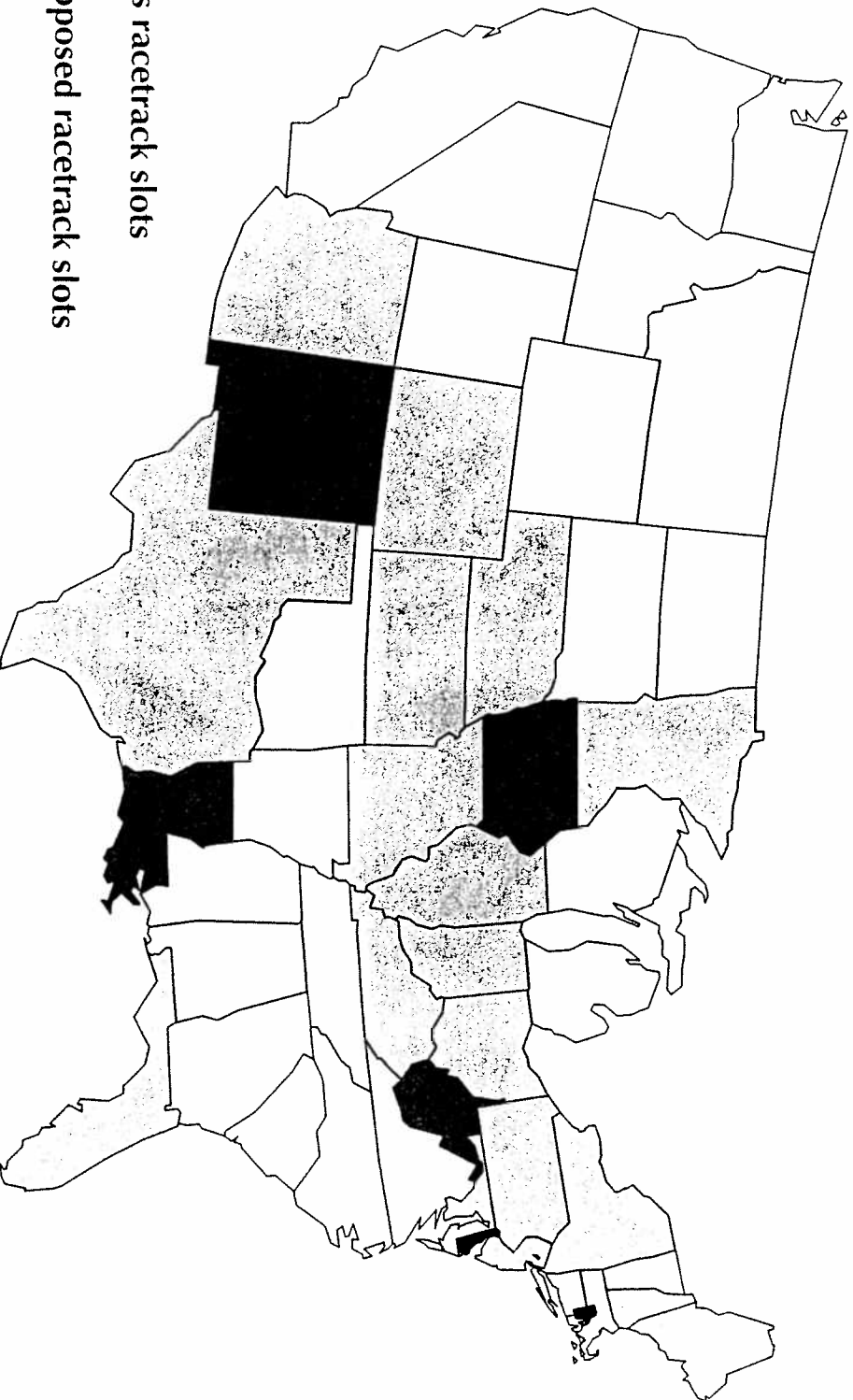
- Increased purses
- Increased breeders' awards
- Youth agricultural programs
- Agricultural education
- Agricultural research



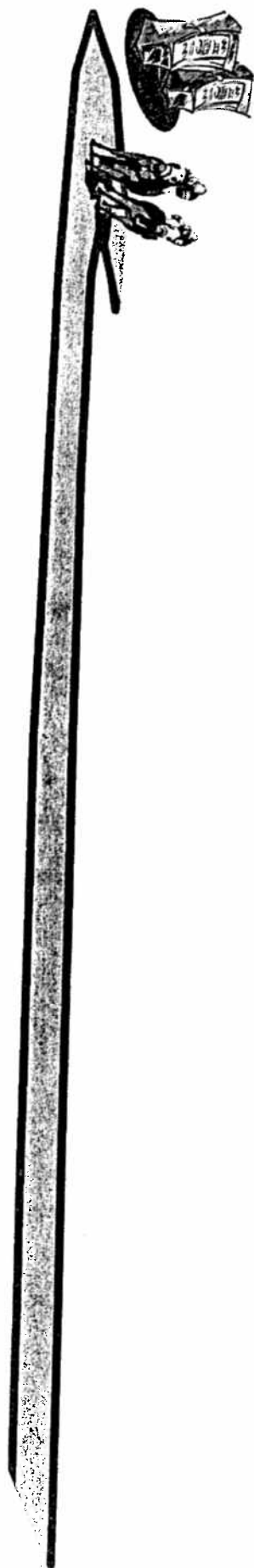


# Current and Proposed Racino States

- Has racetrack slots
- Proposed racetrack slots







- All slot machines (racetracks, casinos, and other approved locations)

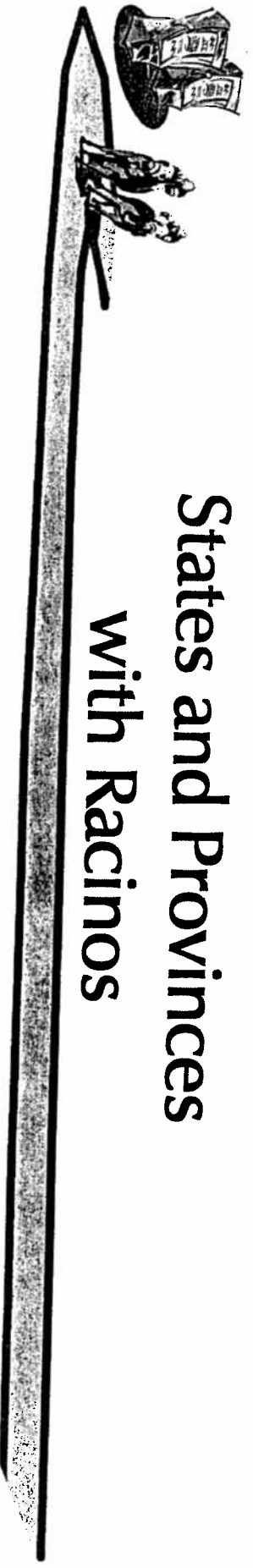
State	Population (18+)	No. machines total (2002)	Population per machine	Median HH Income	Gross Revenue	Revenue per Machine	Rev. per capita
Delaware	589,013	5,278	112	\$47,381	\$565,477,200	\$107,139	\$960
Iowa	2,192,686	12,127	181	\$39,469	\$875,342,200	\$72,181	\$399
Louisiana	3,249,177	13,720	237	\$32,566	\$535,960,460	\$39,064	\$165
Ontario*	9,784,800	19,284	507	\$37,313	\$1,969,937,736	\$102,154	\$201
Rhode Island	800,497	2,478	323	\$42,090	\$281,013,869	\$113,403	\$351
West Virginia	1,405,951	7,021	200	\$29,696	\$595,946,640	\$84,881	\$424
Michigan**	6,390,972	12,750	501	\$44,667	\$1,482,686,950	\$116,289	\$232

\* Population includes ages 15 +; median HH income based on 1996 census; all revenue expressed in US\$; gross revenue estimated.

\*\* Gross revenue includes slot revenue from Soaring Eagle Casino and TOTAL revenues from the three Detroit casinos. Michigan population based on downstate local market.



# States and Provinces with Racinos



	Range			
	Average	Low	High	Michigan
Population/machine	260	112 (DE)	507 (ON)	501
Revenue/machine	\$86,470	\$39,064 (LA)	\$113,403 (RI)	\$116,289
Revenue/capita	\$417	\$165 (LA)	\$960 (DE)	\$232
Median HH income	\$38,086	\$29,696 (WV)	\$47,381 (DE)	\$44,667





# Surveyed Population

- 304 Michigan households
- Completed between March 31 and April 8, 2003
- ~40% Male
- Employment status:
  - 57% - employed, 21% - retired,
  - 5% - student, 17% - other
- 60% Above median income





## Gaming Profile

- 26% Gamed at a casino on a pleasure trip within last 12 months
- 65% Michigan, 9% Windsor, 26% other casinos visited last year
- 27% Have ever visited a Michigan horse track
- 3% Visited a Michigan horse track in 2002
- 23% Have ever visited a horse track in another state
- 70% Have gambled in a casino
- 52% Have gambled at a Michigan casino
- 63% Have bought Michigan lottery tickets






# Michigan Racino Attitudes

- Support establishing Michigan racinos:
  - Yes - 43.9%
  - No - 45.9%
  - Don't know - 10.2%
- 61% Support racinos if subject to local referendum
- Importance\* of selected reasons for establishing Michigan racinos:
  - 3.8 - Reduce leakage of Michigan dollars
  - 4.9 - Generate state and local government tax revenue
  - 4.4 - Help preserve Michigan's horse industry

\* Rating on a 10-point scale, where 10 means "extremely important".





# Likelihood of Visiting Michigan Racinos

- Not likely 77.5%
- Likely/ very likely 20.5%
- Don't know 2.0%
- Total 100.0%





## Attitude about Casino Gaming

- 16.4% Totally oppose casino gaming
- 1.6% Don't know
- 82.0% Go to casino or don't care if others go



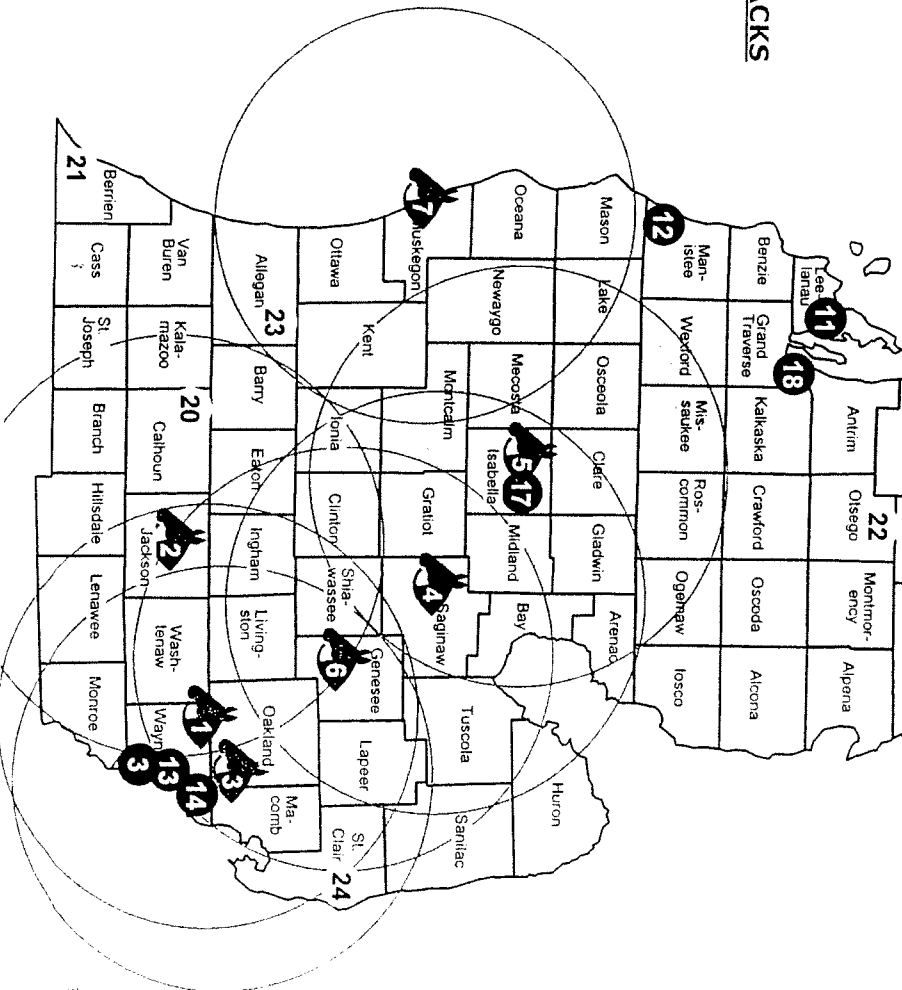
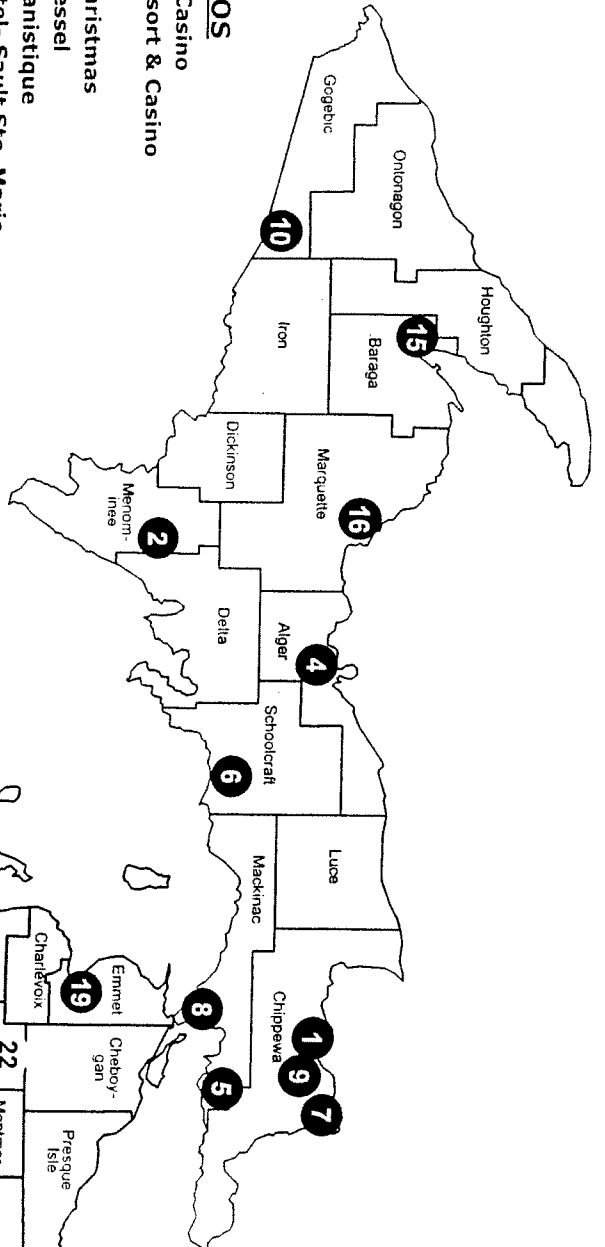
## MICHIGAN CASINOS

- 1- Bay Mills Resort & Casino
- 2- Chip-In's Island Resort & Casino
- 3- Greentown Casino
- 4- Kewadin Casino- Christmas
- 5- Kewadin Casino- Hessel
- 6- Kewadin Casino- Manistique
- 7- Kewadin Casino Hotel- Sault Ste. Marie
- 8- Kewadin Shores Casino
- 9- King's Club Casino
- 10- Lac Vieux Desert Casino
- 11- Leelanau Sands Casino
- 12- Little River Casino
- 13- MGM Grand Casino
- 14- Motor City Casino
- 15- Ojibwa Casino Resort
- 16- Ojibwa Casino- Marquette
- 17- Soaring Eagle Casino & Resort
- 18- Turtle Creek Casino
- 19- Victorias Casino & Entertainment Center
- 20- Battle Creek (Proposed)
- 21- New Buffalo (Proposed)
- 22- Vanderbilt (Proposed)
- 23- Wayland (Proposed)
- 24- Port Huron (Proposed)

## MICHIGAN

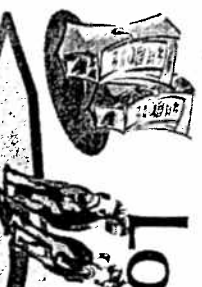
### HORSE RACE TRACKS

- 1- Northville
- 2- Jackson
- 3- Hazel Park
- 4- Saginaw
- 5- Mt. Pleasant
- 6- Schwartz Creek
- 7- Muskegon



Note:  
Circles represent areas within  
approx. 50 miles from the potential racinos.





# Local Visitors to Video Lottery Terminals: Core Assumptions

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- Population: 18 and older (U.S. Census Bureau data 2000)
- 50-mile radius – maximum travel distance for local market
- Estimate percentage of population to play at the video lottery terminals (VLTs) distributed based on competitive environment
- \$66 - Estimated average loss at the video lottery terminals per occasion
- 91% of projected local gaming population to play slot machines

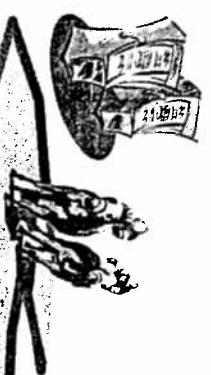




# Non-Local Visitors (Tourists) to VLTs: Core Assumptions

- Market share of tourists to each county  
(derived from the Tourism Resource Center's longitudinal Michigan Travel Market Survey)
- Person-trips: 18 and older (American Travel Survey data 1995, U.S. Census Bureau data 2000)
- Estimated percentage of tourists who gamble at casinos on a pleasure trip distributed based on competitive environment
- 50-mile radius – maximum travel distance for tourist market from their main destination
- \$90 - Estimated average loss at the video lottery terminals per occasion
- 90% of projected gaming tourists to play slot machines





# Video Lottery Terminals: Revenue Scenarios

	Conservative scenario	Moderate scenario	Aggressive scenario
<u>Non-local players</u>			
- % tourists who play at casinos	11.8%	11.8%	15.0%
- Avg. # of visits to video lottery terminals /trip	1.5	2.0	2.0
<u>Local players</u>			
- % who play at casinos	33.0%	33.0%	40.0%
- Avg. # of visits to video lottery terminals /year	18.0	24.0	24.0





# Total Gross Revenues Scenarios: Local Visitors to VLTs (\$)

Potential VLTs	Conservative scenario	Moderate scenario	Aggressive scenario
Hazel Park	235,347,958	313,797,277	380,360,336
Jackson	329,290,989	439,054,652	532,187,457
Mt. Pleasant	20,345,911	27,127,881	32,882,280
Muskegon	302,259,910	403,013,213	488,500,864
Northville	190,503,708	254,004,944	307,884,780
Saginaw	135,863,320	181,151,094	219,577,084
Swartz Creek	214,842,738	286,456,985	347,220,587
TOTAL ALL	1,428,454,534	1,904,606,045	2,308,613,388





# Total Gross Revenues Scenarios: Non-Local Visitors to VLTs (\$)

Potential VLTs	Conservative scenario	Moderate scenario	Aggressive scenario
Hazel Park	14,953,880	19,938,506	25,345,559
Jackson	30,172,365	40,229,820	51,139,602
Mt. Pleasant	4,068,308	5,424,411	6,895,437
Muskegon	41,344,593	55,126,123	70,075,581
Northville	11,649,987	15,533,317	19,745,741
Saginaw	23,373,476	31,164,635	39,616,062
Swartz Creek	9,261,189	12,348,252	15,696,930
TOTAL ALL	134,823,798	179,765,063	228,514,911





# Total Gross Revenue:

## Michigan Horse Race Tracks

- Current horse race track market:
  - Attendance: 2,000,000 / year
  - Estimated average loss per visit: \$66
- Estimated total gross revenue: \$132 million





## Total Gross Revenue: Conservative Projection

- Michigan horse race track players - \$132 million
- Local players at VLTs - \$1,428 million
- Non-local players at VLTs - \$135 million
- Total potential gross revenue - \$1,695 million





# Total Gross Revenue: Moderate Projection

- Michigan horse race track players - \$132 million (6%)
- Local players at VLTs - \$1,904 million (86%)
- Non-local players at VLTs - \$180 million (8%)
- Total potential gross revenue - \$2,216 million (100%)



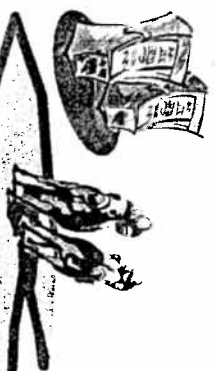




## Total Gross Revenue: Aggressive Projection

- Michigan horse race track players - \$132 million
- Local players at VLTs - \$2,308 million
- Non-local players at VLTs - \$229 million
- Total potential gross revenue - \$2,669 million





# Potential Number of Lottery Machines

Potential VLTs	No. machines at VLTs	No. machines at SLP casinos	Total No. machines at SLP casinos & VLTs
Hazel Park	2,000		
Jackson	2,800		
Mt. Pleasant	200		
Muskegon	2,750		
Northville	1,600		
Saginaw	1,300		
Swartz Creek	1,800		
Total	12,450	12,750	25,200

Avg. no. persons per machine - 260

Est. avg. no. persons per machine in SLP MI - 257





# Key Assumptions

## Underlying Projections (I)

- Machine payback rate would equal or exceed that offered by other venues in Michigan. Average payback in West Virginia is 91%. Other benchmarks include: Delaware 91%, Iowa 93.7%, Montana 92%, Oregon 93.5%
- The video lottery terminals will be as attractive (i.e., design, furnishings, landscaping etc.) or more attractive than are other gaming venues in the region.
- A range of competitive dining options will be available.





# Key Assumptions

## Underlying Projections (II)

- Competitive player incentives (e.g., slot club) will be offered. A universal Michigan video lottery terminal club system would stimulate demand across the system.
- Alcoholic beverages would be available on site.
- Service quality provided by staff would equal or exceed that available at other gaming venues.
- No new casinos (Battle Creek and Allegan County are especially problematic).





# The Tourism Connection (I)

- Tourism is a large (\$12+ billion sales, ~200,000 employees) growth industry (~5-6% avg. annual increase in sales) in Michigan
- The industry faces significant challenges
  - A \$3 billion travel trade deficit
  - An aging product line with limited major attractions
  - Decline in state investment in tourism marketing in nominal and real dollars and vis-a-vis the competition
  - Significant variation in business across seasons





## The Tourism Connection (II)

- Video lottery terminals offer the opportunity to confront these challenges:
  - VLTs would attract visitors across all seasons
  - VLTs would add an entertainment option in some areas where minimal entertainment is available
  - Fully developed VLTs would be tourist attractions in some areas with limited ability to attract tourists
  - A percentage of VLTs revenues could be earmarked for tourism promotion thereby providing a steady and growing funding source to promote tourism development





## Contact information

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